

Q&A

Conservation and Transfer Agreement

San Diego County Water Authority & Imperial Irrigation District

Q. Where does San Diego County get its water?

A. Nine of every 10 gallons typically used in San Diego County are imported by the San Diego County Water Authority, via the Metropolitan Water District of Southern California (MWD). This water originates in the Colorado River and in Northern California rivers. The rest of the county's water comes from local lakes and wells and recycling programs.

Q. What is a water transfer?

A. A water transfer - also known as water marketing - is the sale or lease of water from one party to another. Most transfers, including the one contemplated by the Authority and the Imperial Irrigation District (IID), involve water, not water rights.

Q. What is the status of the discussions between the Authority and the IID?

...of their respective communities before it can go into effect.

Q. How much water is involved in the transfer?

A. Twenty-thousand acre-feet of water would be transferred from IID to the Authority in the first year of the contract. Deliveries would increase in 20,000 acre-foot increments in ensuing years until they reach a maximum of 200,000 acre-feet. The two agencies may agree to transfer an additional 100,000 acre-feet per year after year 10. (An acre-foot is about 326,000 gallons — enough water to meet the annual household needs of two average families.)

Q. How would IID produce the water that is transferred to San Diego County?

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A. A water transfer - also known as water marketing - is the sale or lease of water from one party to another. Most transfers, including the one contemplated by the Authority and the Imperial Irrigation District (IID), involve water, not water rights.

Q. What is the status of the discussions between the Authority and IID?

A. The Authority and IID have released contract terms for the long-term transfer of conserved water from the Imperial Valley to the San Diego region. A period of public review and comment is under way; neither IID nor the Authority board of directors has yet approved the terms of the agreement. When the review is complete, Authority staff will report to their directors about the comments they have received from the public and ask the board to vote on the agreement. The Authority's directors and IID's directors will have to approve a water transfer agreement on behalf of their respective communities before it can go into effect.

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Q. How would IID produce the water that is transferred to San Diego County?

A. Imperial Valley farmers served by IID would voluntarily conserve the water by investing in state-of-the-art water conservation technologies. The water would result from this "extraordinary conservation," not land fallowing (retiring farmland).

Q. What is extraordinary conservation?

A. Extraordinary conservation occurs when a water-user saves water using techniques that are unaffordable without financial support. In the case of an Authority-IID transfer, the Authority would pay for Imperial Valley farmers to conserve water by using techniques and technologies that make the most sense to them as individual farmers. IID has made significant efforts to promote water conservation in the past, but not all conservation opportunities are affordable for its agricultural customers. Such opportunities include installing systems to capture water for reuse before it runs off fields and use of drip irrigation.

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Q. What happens if there is a shortage on the Colorado River?

A. The Authority and IID would share any declared Colorado River shortages proportionally — that is, if IID deliveries to the Authority represent 6 percent of IID's total annual Colorado River supplies, water transferred to the Authority would be reduced by 6 percent in a shortage. Any reduction in IID's legal rights to Colorado River water would not affect the transfer agreement.

Q. Would water transferred from IID be more reliable during a shortage than water the Authority buys from MWD?

A. Yes. Water transferred under the Authority-IID agreement results from IID's Colorado River rights, which are among the most senior in the Lower Colorado River Basin. In recognition of the value added by this reliability, the contract requires the Authority to pay a premium on IID transfer water if either the Authority declares a water shortage and imposes mandatory conservation and rationing, the State Water Project declares a critically dry year, or the Interior Department declares a shortage for the Lower Colorado River Basin.

Q. How long would the transfer contract last?

A. IID and its agricultural customers would conserve water and sell it to the Authority for at least 45 years. Either agency may extend the contract for another 30 years beyond the initial term.

Q. How much would this water cost?

A. The cost of transferred water would be competitive with other water supplies available to the Authority. The Authority would pay an amount for the water that equals the cost of conserving the water plus an incentive to encourage participation by farmers. The water's price reflects considerable effort by the Authority and IID to confirm the cost of on-farm conservation measures. The contract includes a formula that indexes the water's price to MWD water rate, less the cost of conveying (or wheeling) the water to San Diego County. A discount is applied to the price that begins at 25 percent in year one and declines gradually over 17 years to stabilize at 5 percent for the remainder of the contract.

Q. How about an example of the pricing formula?

A. Keep in mind that the numbers below are only examples for the first year of the contract.

MWD untreated water rate	
	\$349/AF
Other MWD charges (i.e. readiness-to-serve charge)	
	+51
MWD "full rate"	400
Estimated wheeling rate	-68.50
	331.50
25 percent discount (year 1)	-82.87
	<u>\$248.63/AF</u>

There also is a provision under which the Authority and IID share the difference between the estimated cost and the actual cost of wheeling the water. In the example above, if the actual wheeling cost is \$78.50 per acre-foot and the estimated cost is \$68.50, the Authority and IID would split the \$10 difference. The Authority would subtract its \$5 from the \$248.63 total, making the transfer rate \$243.63 per acre-foot.

Q. Would the water's price remain steady throughout the contract?

A. Either the Authority or IID may request a redetermination of the water's price after the first 10 years of the contract, and at 10-year intervals thereafter. As the market for water transfers expands, the price redetermination will be tied to the price of comparable water transfers. Until the market matures, the price will be redetermined based on a comparison with the cost of comparable transfers, Authority water supply projects and MWD's water rates. These provisions bring flexibility to the contract's pricing provisions. (The discount on transfer prices and the shortage premium mentioned above are eliminated once prices are tied to the transfer market.)

Q. When would the contract go into effect?

A. IID would begin transferring water to the Authority in the first year after a series of contingencies are satisfied. The State Water Resources Control Board and the federal Bureau of Reclamation must approve the contract. The Authority must arrange cost-effective and reliable conveyance for the water. IID must meet a specified target for participation by its farmers. Both agencies must be able to reasonably mitigate environmental impacts of the transfer.

Q. Why is the Authority involved in these discussions with IID?

A. The Authority entered into water transfer discussions with IID in 1995 as part of its ongoing effort to maintain a safe, reliable and adequate water supply that supports the San Diego region's \$85 billion economy, job base and quality of life. Estimates based on population projections by the San Diego Association of Governments indicate regional water demand will increase by 50 percent in the next 20 years. The Authority has an obligation to evaluate water resource alternatives that are potentially secure and prudent and, in fact, performs such evaluations regularly. The task of evaluating and developing new water resources is especially important given that in 1991 the county faced potential 50 percent reductions in imported water deliveries because of drought-induced shortages in its traditional imported water supplies. In addition, California is expected to lose some of the Colorado River water that is has used for many years (see below).

Q. Is the transfer agreement tied to efforts to change the way California uses its supply of Colorado River water?

A. An annual 200,000-acre-foot transfer of water from IID to the Authority is a key component of the draft "4.4 Plan" released by the Colorado River Board of California and State Department of Water Resources Director David Kennedy. The plan is so named because California is entitled to take 4.4 million acre-feet of water from the Colorado River each year. Thanks to surplus water supplies, the state regularly exceeds its allocation by about 20 percent, with almost all of the additional water going to the MWD service area. The federal gov-

ernment, prompted by the other states that have Colorado River allocations, insists that California reduce its take of river water and live within its entitlement. If California is able to accomplish this task, it may also gain renewed access to surplus water when it is available.

Q. Would the Authority make the transfer agreement with IID itself or individual water-users?

A. The Authority is dealing solely with IID. The district holds in trust the Colorado River rights of landowners within its service area in the Imperial Valley. Landowners interested in participating in the conservation and transfer program would arrange to do so through IID.

Q. How does the water transfer program fit in with other programs the Authority has in place to improve San Diego County's reliable water supply?

A. Water transfers are among the options explored and recommended in the the Water Resources Plan adopted by the Authority board of directors in 1997. The plan outlines a San Diego County water supply in the 21st century that is significantly more diversified than today's supply. Under the plan, San Diego County in 2015 would import 55 to 60 percent of its water through MWD, produce another 15 to 20 percent through local water recycling and groundwater programs, and get the rest of its water through long-term transfers. Water transfers are "one of the Authority's greatest potential resources," according to the plan.

Q. What might San Diego County gain from a long-term water conservation and transfer program such as that contemplated with IID?

A. A long-term water transfer agreement may help San Diego

County to:

- Secure a long-term, reliable water supply.
- Diversify its water sources and reduce its reliance on a single supplier.
- Establish an "insurance policy" against the impact of drought.
- Stabilize the cost of a significant portion of its water.

Q. What might IID and the Imperial Valley gain from a transfer program with the Authority?

A. A long-term water transfer agreement may help IID to:

- Achieve affordable water conservation.
- Recapitalize the valley's agricultural economy.
- Stimulate diversified investments in the local economy. Imperial County has the second lowest per-capita income in the state and an unemployment rate of more than 30 percent.
- Provide direct assistance to the community.

Q. How would the Authority get the transferred water from the Colorado River to San Diego County?

A. The Authority is negotiating with MWD concerning use of the district's Colorado River Aqueduct, the sole existing water delivery facility connecting the river and coastal Southern California. State law allows and encourages use of existing water conveyance facilities to convey — or "wheel" — water for agencies involved in transfers. Under a wheeling arrangement, the Authority would divert water allotted to IID into the Colorado River Aqueduct — before it flowed downstream to the Imperial Valley — so it could be conveyed west to coastal Southern California.

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Q. Would the transfer require a new pipeline/tunnel facility from the Imperial Valley to San Diego County?

A. The Authority is pursuing a contract to wheel the water through MWD's Colorado River Aqueduct to avoid construction of parallel or duplicate facilities. The Authority has studied the feasibility of building its own facility to the Colorado River, either on its own or in a partnership with Mexico (which has its own Colorado River entitlement and a need to deliver more river water to growing Tijuana). A decision to construct a new delivery facility must be made separately from a decision to enter into a water transfer agreement with IID.

Q. How would the transfer agreement with IID affect the Authority's relationship with MWD?

A. Through its Integrated Resource Plan, MWD encourages the Authority and other member agencies to develop their own water supplies. The Authority welcomes the opportunity to diversify San Diego County's water supply, making it less dependent on

MWD, its only source of imported water. However, the Authority does not intend to terminate its long-standing membership in MWD. Rather, the Authority expects to remain MWD's largest customer.

Q. How would an Authority-IID water transfer agreement affect MWD and its member agencies?

A. It has the potential to relieve pressure on MWD's limited water resources and thus to help the Authority's fellow MWD member agencies to have more secure water supplies. MWD also could gain increased certainty as to the source of the additional water it will need in the future. In addition, as the Authority-IID transfer is a key to the "4.4 Plan" mentioned above, it would help MWD maintain access to surplus Colorado River water when it is available in the future.

Q. What would be the impact on the state of California?

A. A water transfer agreement between the Authority and IID has the potential to benefit California in several ways. As it makes San Diego County's water supply more reliable and provides an economic stimulus to the Imperial Valley, it could strengthen the Southern California economy. As it provides a Southern California solution to a Southern California water supply problem, it could reduce reliance on State Water Project deliveries from Northern California rivers and help relieve pressure on the Sacramento-San Joaquin River Delta. As it uses California's water to help solve a California problem, it may avoid contentious disagreements involving other states.

Q. What is the scope of the Authority's public outreach effort

concerning the water transfer agreement?

A. The Authority's public outreach effort is similar to that which it undertook for the summary of draft contract terms released in July 1996 by the Authority and IID. At that time, the Authority conducted more than 100 briefings, then compiled all of the input for presentation to its directors before transfer negotiations resumed in 1997. With release of the contract in December 1997, the Authority will brief each of its member agencies and offer briefings to San Diego County's cities and to interested private organizations. In addition, the Authority plans to hold a public informational meeting in January 1998 and a formal public hearing on Jan. 22, 1998. Input gathered in this fashion will be presented to the Authority board of directors before the directors vote on the agreement. A summary of the agreement is available to the public at the Authority's two offices, 3211 Fifth Ave. in San Diego and 610 West Fifth Ave. in Escondido, at other local water providers and public library branches.

December 1997



San Diego County Water Authority